

JAN 74

MEMORANDUM FOR: Deputy Director of Logistics

SUBJECT : Comments on Supply Division Comments

1. Supply Division has made some valid points in its comments on recommendation of the PPA/PRA study group. Some elaboration on points made follow:

a. I A 1 B - The committee does not rule out that budget responsibility could or should not be centralized into one component for selected common stocks. Possible examples: (1) We may decide that one standard tape recorder~~y~~ is appropriate to stock for common stock purposes as well as for use with OTS audio ops support. OTS could be tasked with inventory budgeting of this recorder~~y~~ for all users, with requests for non-standard units, direct procurement, and direct funding. (2) Office of Logistics central inventory budgeting for the standard typewriter, safe, paper, executive furnishings, etc. (3) Records indicate Commo uses 90 percent of all electron tubes issued, with 10 percent to other Agency components. Consideration should be given to centralizing budget responsibility for all electron tubes, teletype equipment, etc. in Commo. On electron tubes, assuming Commo knows its own requirements, there is only about a 10 percent

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margin of error in budgeting for the entire Agency-- probably a much closer accuracy than now obtains.

(4) The point is that we should attempt to reduce inventory items to <sup>The</sup> extent possible in view of procurement lead time, cost savings in <sup>T</sup>Log procurement, operational necessity of items, and several other factors. Inventory items can then be examined to determine source, quantity of user demand, and who in the Agency is in the best position to budget for items.

b. II A - Having stated that the existing PPA/PRA procedures should be changed, a valid concern on control of drawdown of centralized budget inventory drawdown is made in this paragraph. The committee envisaged that the initial inventory budget requirement would have to be coordinated with using components and that issues against that item would have to be monitored and controlled. If a single component exceeds the initial forecast and this overage cannot be absorbed by underruns in other components, we would either have to ask the components to cough up money or the centralized budgeting component would have to reprogram or seek additional funds. In the case of non-operational items such as executive furnishings, the option exists of cutting off issues completely until next fiscal year.

OTS &  
o/c  
furnishings  
problems

SUBJECT:

c. II B - Fully agree there is large element of uncertainty in budget forecasting for inventory items. However, focus on centralized budgeting on selected inventory items <sup>should</sup> ~~would~~ improve existing budget accuracy. In regard to the comment on indiscriminate drawdown, some type of control, as discussed above, would be required to prevent <sup>withdrawals from</sup> the system from running amuck. On the ~~reverse~~ of this comment is the fact that turn-ins of materiel and equipment should increase, if using components knew that they would not be charged again on reissue. Perhaps we should consider another element of inventory such as emergency stock. An <sup>emergency stock for long</sup> ~~for~~ <sup>long</sup> lead items, such as vehicles and generators, could be centrally budgeted but issues would be treated as direct purchases to replenish emergency stock levels. This is similar to

d. II C - Only comment is that I believe direct funding procedures would force more attention on "what to buy" <sup>for what</sup> than currently is the case throughout the Agency.

e. III - It is suggested that we ~~move~~ to inventory budgeting for "captive stock" in FY 1975, exclude direct purchases from PPA/PRA procedures in FY 1975, and continue PPA/PRA for remaining inventory items. During FY 1975, we will utilize experience gained to go fully on direct funding for FY 1976.

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